



L. JOYCE HAMPERS  
COMMISSIONER

# *The Commonwealth of Massachusetts*

*Department of Revenue*

*Leverett Pattonstall Building,*

*100 Cambridge Street, Boston 02204*

July 15, 1981

("Lessor") leases livestock-feeding and manure-handling systems for agricultural use. You inquire whether such leases are exempt from the Massachusetts sales tax under paragraphs (r) and (s) of Massachusetts General Laws Chapter 64H, Section 6.

The livestock-feeding system includes a top-filling, bottom-unloading silo in which feed for livestock is stored in an oxygen-limited atmosphere to prevent spoilage and preserve nutritional value, together with equipment for loading and unloading the silage and for feeding livestock.

The manure-handling system comprises equipment for collecting and blending manure so that it may be stored in a condition that limits loss of nutrients, a storage structure, equipment for transferring the liquid manure to and from the structure, and equipment for spreading the manure on or injecting it into the soil as fertilizer for growing crops. With the exception of the bases upon which the silos and manure-storage structures are built, the systems are designed to be movable from location to location as desired; each system is removed at the end of the lease term by the lessor, unless the lessee purchases the system at its fair market value at the termination of the lease.

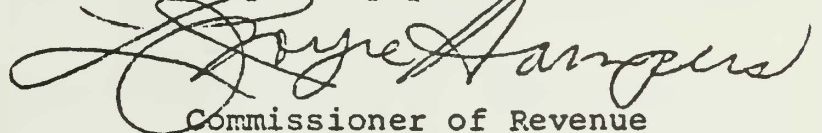
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Massachusetts General Laws Chapter 64H, Section 6(r) provides that sales of materials, tools and fuel, or any substitute therefor, which are consumed and used directly and exclusively in agricultural production are exempt from the sales tax. It further provides that any material, tool or fuel is "consumed and used" within the meaning of the exemption only if its normal useful life is less than one year or if its cost is allowable as an ordinary and necessary business expense for federal income tax purposes. Section 6(s) of Chapter 64H exempts from tax sales of machinery, or replacement parts thereof, used directly and exclusively in agricultural production. For purposes of paragraphs (r) and (s), "agricultural production" includes the raising of poultry and livestock.

Based on the foregoing, it is ruled that:

- (1) leases of the components of the livestock-feeding and manure-handling systems constituting machinery are exempt from the sales tax; and
- (2) leases of the components constituting materials are exempt from the sales tax if their normal useful life is less than one year or if the lease payments are allowable as an ordinary and necessary business expense for federal income tax purposes.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Royce Angers", is written over the typed name.

Commissioner of Revenue

LJH:JXD:mf

LR 81-62